

## Communication of Management Comments



Members of the Board of Education  
and Management  
Warren County School District  
Bowling Green, Kentucky

In planning and performing our audit of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Warren County School District (the "District") as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that would not be identified.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control that we consider to be significant deficiencies.

During our audit, we became aware of a deficiency in internal control other than significant deficiencies or material weaknesses, and other matters that are opportunities for strengthening internal controls and operating efficiency that we have included in this letter.

The District's written response to the comment identified during our audit has not been subjected to the audit procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

This communication is intended solely for the information and use of management, the members of the Audit Committee, others within the District, and the Kentucky Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

*Stottman and Company PSC*  
Louisville, Kentucky  
November 10, 2017

Current Year Comments and Management Responses

**Warren County School District**

June 30, 2017

**Item 2017-01 – Construction Obligations Should be Accounted for in the Proper Period**

**Condition and Criteria:** During our testing of accounts payable, we determined there were multiple construction related invoices incorrectly excluded from accounts payable at June 30, 2017.

**Cause:** The District issues purchase orders for all invoices, and due to the nature of construction invoices the District did not receive the invoice until after the construction fund had been closed out for the year. This means that all outstanding purchase orders at year end were closed and reissued in the following year.

**Effect:** The error caused an understatement in construction in process on the District-Wide financial statements for the year under audit. The error caused a shift in expenditures on the Governmental Fund financial statements from the year under audit to the subsequent year.

**Recommendation:** We recommend recording all construction expenditures in the period the services were performed, in accordance with generally accepted accounting principles.

**Managements' Response:** I agree with the auditor's recommendation above. I have already made adjustments to the way construction applications are submitted from vendors and feel confident in the new process for the current and future.

**Management's Anticipated Completion Date for Corrective Action:** Already underway.

Prior Year Comments and Management Responses

**Warren County School District**

June 30, 2016

**Item 2016-01 – Disbursements Should be Properly Accounted for in the Proper Accounting Period**

While performing the search for unrecorded liabilities, it was discovered that a disbursement from the special revenue fund was paid and charged as an expense to the incorrect time period.

**Managements' Response:**

The item in question was extracted from a Crystal Report query to determine year end accounts payable. There will be steps taken to see if additional code can be added to the query to ensure accuracy, in addition to an another person reviewing all said Accounts Payable via Journal Entry to be reviewed for year-end entries. Furthermore, the District's newly hired internal auditor will look into and evaluate the current process to gain additional support to ensure accuracy.

**Current Year Status:** No such issue was noted during the current year.

**Item 2016-02 – Process for Capitalizing Fixed Asset Additions**

During testing of fixed assets, we noted that the District does not consistently capitalize expenditures in accordance with its capitalization policy. There were several payments noted that were expensed as repairs and maintenance that should have been capitalized. The auditor recommends that the District trains its property accountant on the capitalization policy to ensure that all asset additions are capitalized in accordance with the policy.

**Managements' Response:**

The Chief Financial Officer will schedule monthly meeting with the fixed assets coordinator to review projects that could include fixed asset additions. Additionally, the District's newly hired internal auditor will assist in this area.

**Current Year Status:** No such issue was noted in the current year.